

EXHIBIT C

08-23-2002 08:10AM

08-23-2002 08:10AM

08-23-2002 08:10AM



Amesq@aol.com

To: jemery@seastarline.com

08/22/2002 06:05 PM

cc:
Subject: Fwd: MBC Leasing/Sea Star

— Message from "Bill Hallam" <BHALL@gebsmith.com> on Wed, 21 Aug 2002 11:16:04 -0400 —

To: <Amesq@aol.com>

cc: <Scott.Krieger@mercantile.ne

>

Subject: MBC Leasing/Sea Star

Tim:

A blacklined draft of the Indemnity Agreement reflecting MBC's responses to your requested changes is attached.

Rather than agreeing to indemnify Sea Star against all attorneys' fees and expenses on an open ended basis as you proposed, MBC has proposed to provide the defense at its expense.

As Sea Star would have to defend, at its expense, a suit brought by a creditor who had not been named as a defendant in any interpleader action, if MBC agreed to provide a defense at its expense to claims by "any secured creditor" as you proposed, Sea Star would fare better than if it never entered into the Indemnity Agreement. The concept was simply that Sea Star not have to pay twice. I have substituted interpleader defendants for secured creditors.

MBC is not willing to allow Sea Star to deduct whatever amount it claims is due for storage and handling of equipment. It is prepared to allow deductions for what is justly due. I understand that efforts to reconcile the storage and handling charges are ongoing and MBC hopes that agreement can be reached on the amount this week.

MBC is willing to pay interest on the amount Sea Star pays it, but is not willing to pay whatever interest a court orders Sea Star to pay. Once again, the concept is protecting Sea Star against duplicate risk, not shifting risks Sea Star already has to MBC.

The Rental Agreement is acceptable provided that the Indemnity Agreement is finalized to MBC's satisfaction. MBC will provide comments on the Equipment Lease Agreement, but I wanted to get my comments on the Indemnity Agreement in your hands before you left for Puerto Rico since MBC has made it clear that it will enter into no lease unless Sea Star will pay it and Sea Star's willingness to pay is contingent on MBC's agreement to indemnify.

William L. Hallam
Gebhardt & Smith, LLP
The World Trade Center, Ninth Floor
Baltimore, Maryland 21202
410-385-5015



18750.INDEMNITY.8-2'

SE52823